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Good morning, Chairman Boucher, Ranking Member Hastert, and distinguished members of the Committee, my name is Phillip Lampert and I serve as the Executive Director of the National Ethanol Vehicle Coalition. On behalf of the NEVC, I would like to thank you for the opportunity to appear before you this morning.

The NEVC is the nation's primary advocate of the use of 85% ethanol as a form of alternative transportation fuel. From our headquarters in Jefferson City, Missouri, we have established partnerships across the nation to advance the establishment of fueling infrastructure and promote the use of 85% ethanol as an alternative to the use of petroleum based fuels.

Our members include automakers; state and national corn grower associations; ethanol producers; equipment manufacturers and suppliers; ethanol marketers; the 37 states that comprise the Governors' Ethanol Coalition; farmer cooperatives; chemical and seed companies; petroleum marketers; and individuals. Our focus in regard to the use of ethanol is very narrow in that we concentrate our efforts and resources on advancing the next generation of use of ethanol. My comments this morning will be limited to the use of high level blends such as E85.

As the Chairman and members of the Committee know, motor vehicles produced and sold in the U.S. have been able to use a 10% blend of ethanol for many years. This ethanol is added to our gasoline in a blend of 1 part alcohol to 9 parts gasoline and is used to improve air quality, add octane, and reduce dependence on imported petroleum

The National Ethanol Vehicle Coalition strongly supports the continued growth and development of the use of ethanol as an oxygenate and renewable fuel and we will be supporting efforts to adopt a more robust Renewable Fuels Standard. That stated, the balance of my comments, are directed to higher level blends of ethanol as a form of alternative transportation fuel.

From an initial production of 272 E85 flexible fuel Luminas built by General Motors in 1992, we expect that by Sept. of 2006, more than 6 million flexible fuel vehicles will be operating on the nation's highways. These "flexible fuel vehicles" are capable of operating on any blend of ethanol, from 10% up to 85%, or where ethanol fuels are not marketed, on pure gasoline. Ford, GM, and DCX have within the past several weeks, stated on two occasions that during Model Year, 2012, fully 50% of their vehicles will be FFVs, if the infrastructure to fuel the vehicles is available.

There are no "switches to flip", additional fueling tanks, or other controls needed for these flexible fuel vehicles to be able to operate. The technology is transparent to the driver and most importantly; this flexible fuel capability is provided on these vehicles at no extra cost to the consumer.

Over the past several years, many important public policy issues have been addressed by the Congress and Administration which have significantly advanced the use of ethanol and other forms of alternative transportation fuels. From 2.81 billion gallons in 2003 to the estimated 6.2 billion gallons anticipated in 2007, (source: American Coalition for Ethanol) clearly the production and use of ethanol has shown significant increases. The most important of the public policy initiatives have been the adoption of the Volumetric Ethanol Excise Tax Credit, establishment of the Renewable Fuel Standard, and extension of CAFE Credits to build FFVs.

As of mid April 2007, there are 1,182 operating E85 fueling sites in the nation. While the numbers of E85 fueling stations has doubled each of the past three years, this remains less than 1% out of the total 168,000 public fueling sites in the nation. In order for E85 fuel to become a mainstream form of transportation fuel, additional public policy initiatives are needed.

As part of our legislative priorities for 2007, the NEVC has adopted the following pubic policy statements:

- Mandates and financial incentives. The NEVC opposes mandatory establishment of E85 fueling locations. Mandated establishment of E85 fueling locations is counter productive and will lead to poor pricing, disinterested marketing, lackadaisical vendor performance, undesirable locations and general dissatisfaction by the consumer.

Rather than mandates, we support an expansion of the existing federal income tax credit that is available to support alternative fuel infrastructure. The current credit of 30% up to $30,000 should be increased to 75%/$75,000 for a period of 3 years and then ratchet down to 50% and hence down to 25%.

Many proposals are also being considered by the Congress that would provide the Secretary of the Dept. of Energy huge amounts of funds to establish massive grant programs to build E85 systems. While this may have been needed 4 or 5 years ago, extremely large grants are no longer necessary. The program has moved beyond that era.

The provision of federal largeness in the form of grants paying for all or a substantial portion of an alternative fuel station is not necessary, and in fact can be counterproductive. Lack of financial commitment in a new E85 fueling station brings a lack of commitment to properly price the fuel, lack of interest in ensuring the product meets standards, and a general disinterest in promoting the fuel. During CY 2006, using $1.4 million in federal funds, the NEVC assisted with the establishment of 569 new E85 fueling sites, which is an average cost of less than $2,500 each. During 2006, the Dept. of Energy awarded $5,990,000 in grants to build 166 new E85 fueling stations, an average cost of $36,000 each.

The vast majority of the projects we have supported have been involved with utilization of existing equipment, rather than installation of new equipment. In most cases, a vendor can take a mid grade or premium out of operation and convert that tank and dispenser to sell E85. This can be accomplished at an average cost of approximately $5,000 per site.

These high prices paid by federal funds are not a result of malfeasance, poor management, or lack of oversight. The large amounts of funds that are awarded by the DOE to build E85 fueling stations are the result of the process of federal project competition. The bureaucracy has established a competitive process that awards “gold plated systems”, that is not transparent in regard to the entire evaluation system, and for which there is little recourse in regard to why one project was funded and another not.

It is simply not necessary for DOE to provide these large grants, some in excess of $50,000 per site. Add to these grants the federal income tax credit and various other state grants and credits, and the government investment comprises a significant amount of the total investment. This is not, in our opinion, a wise use of resources. It is not our intent to speak ill of the Dept. of Energy, however, the example that I have cited is indicative of how the costs of a project/program is the subject of the multiplier effect when the bureaucracy becomes engaged.

Fuel Pricing: For E85 to become a mainstream fuel, it is going to be necessary to address the pricing of the product in comparison to that of unleaded gasoline. The chemistry of ethanol is that it contains less latent heat value than does regular unleaded gasoline. Thus, one gallon of E85 will only provide 73% of the BTUs that are found in RUL. To have E85 and RUL priced the same is not appropriate as a user will indeed loose fuel mileage, not fuel economy, but fuel mileage.

The National Ethanol Vehicle Coalition believes that E85 should be priced 20% less than RUL on a daily basis. Such pricing will address 95% of the drivers that will loose fuel mileage. If the price of E85 is not less than RUL, we tell drivers not to use it.

Finally, technical support, marketing information, consumer education, promotional materials, and other forms of data are now the most critical needs of a vendor which has an interest in opening of an E85 fueling station.

- Please keep in mind when we talk about the establishment of E85 fueling systems, we are talking about working with the small entrepreneurs, the small business men and woman. These are the innovators in the transportation fuel industry, but at the same time, these are the companies least prepared to enter into a new form of fuel sales. It is not the major oil companies with their teams of marketing staff, affinity credits cards, or full page adds in the newspapers of national circulation that are the innovators. As a representative of the Minnesota Petroleum Marketers once said**, 'No *major* has ever innovated anything . . . It's the little guys that do'**
- That said, the little guys needs support technical assistance, marketing information, a hotline to call, and a person that can answer questions. This is another of the roles of the National Ethanol Vehicle Coalition.

Let me reiterate, to advance the growth of E85 fueling systems, we believe the following are needed:

- An increase in the federal income tax credit.
- Reductions in large grants with a much stronger emphasis being placed on provision of personal technical support, marketing support, and promotional assistance.
- Finally, the potential increase in the existing incentive that is available for ethanol to reflect the lower BTU value of the product.

Mr. Chairman and Members of the Committee, there has been much progress made and the Congress is currently addressing other important issues relating to

ethanol utilization. We appreciate and applaud these efforts and stand ready to assist.

Thank you for the opportunity to provide these comments.

The National Ethanol Vehicle Coalition is a non-profit organization located in Jefferson City, MO.